The Public Service Group Insurance Fund

Benefits Summary, Auditor's Report and Financial Statements

For the Year Ended April 30, 2007

Public Service Group Insurance Fund
Benefits Summary

The Public Servants Insurance Act provides for the establishment of the Public Service Group Insurance Fund (PSGIF) which is administered by the Civil Service Superannuation Board. The PSGIF includes three plans to provide life insurance, accidental death and disablement insurance and dependents insurance for eligible employees and retired employees (and their eligible dependents) of the Government of Manitoba and most of its Agencies and Boards.

Each of the three Plans is self-funding. Employee, retired employee and employer contributions along with investment income finance all death and disablement claims and administration costs. On the termination of the Policy, payment would be made by the Province of Manitoba to the extent that reserves are insufficient to cover any Policy deficit.

Each of the three Plans is summarized below:

a) **The Employees' Group Life Insurance Plan** (established May 1, 1960)

Most employees join the Plan at the same time they are enrolled in the Civil Service Superannuation Fund Pension Plan. Employees are automatically covered for life insurance coverage of five times annual salary, but may select a lower multiple. The maximum coverage under the plan is $1,000,000. For employees age 65 or more, insurance reduces in five year intervals based on age until age 75, at which time the employee is insured for $4,500.

Reduced life insurance automatically continues following retirement for eligible retired employees, reducing in five year intervals until age 73, at which time the pensioner is insured for $4,500. As an alternative, retired employees can choose a $4,500 paid-up policy at any time prior to age 73.

Eligible employees who retire or terminate employment due to ill health or injury may apply to continue group life (disability) insurance without making further contributions until age 65, at which time retirement insurance options are available.

b) **The Accidental Death and Disablement Plan** (established July 1, 1974)

An eligible employee who is insured under the Employees' Group Life Insurance Plan is automatically enrolled in the Accidental Death and Disablement Plan. This Plan does not insure retired employees.

The amount of accidental death and disablement insurance is based on the employee's annual salary (maximum of $25,000) and insurance class (to a maximum of class three) under the Employees' Group Life Insurance Plan. An employee's maximum insurance is therefore $75,000.

c) **The Dependents' Group Life Insurance Plan** (established May 1, 1962)

An eligible employee who is insured under the Employees' Group Life Insurance Plan may choose insurance coverage on his/her eligible dependents in the Dependents' Group Life Insurance Plan. The employee elects the amount of insurance by choosing from one unit to four units of insurance. An employee with four units of insurance, whose spouse is under age 70, would have the maximum $70,000 of insurance on his/her spouse and $14,000 of insurance on each child.

Eligible retired employees may choose to continue reduced insurance on their dependents following retirement.

Eligible employees who are granted a disability benefit under the Employees' Group Life Insurance Plan also continue to have dependents' group life (disability) insurance at no cost until age 65, when retirement insurance options are available.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To The Legislative Assembly of Manitoba
To the Board of Directors of the Public Service Group Insurance Fund

We have audited the statement of net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2007 and the statements of changes in fund balance for benefits for the employees' group life insurance plan, the accidental death and disablement plan and the dependents' group life insurance plan for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2007 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 10, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANAGEMENT REPORT

The accompanying financial statements of the Public Service Group Insurance Fund (the "Fund") are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to September 10, 2006.

The firm of Ellement and Ellement Ltd. has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

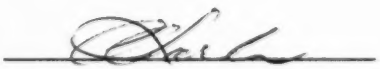
The Auditor General performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

Bruce Schroeder
General Manager



Allen Borle
Director, Finance

Exhibit A

THE PUBLIC SERVICE GROUP INSURANCE FUND
Statement of Financial Position
As at April 30, 2007

	2007	2006
ASSETS		
Investments, Schedule 1, Note 2(b)	$ 142,184,471	$ 128,206,807
Accrued dividends and interest	628,342	643,831
Due from The Great-West Life Assurance Company	2,419,396	1,763,758
Accounts receivable	41,687	30,816
Total assets	**145,273,896**	**130,645,212**
LIABILITIES		
Provision for future claims/liabilities, Schedule 2, Note 4		
Employees' Group Life Insurance Plan	118,953,599	107,841,802
Accidental Death and Disablement Plan	3,279,930	3,089,662
Dependents' Group Life Insurance Plan	5,209,168	4,926,800
Contributions received in advance	464,666	470,576
Accounts payable	71,603	46,882
Total liabilities	**127,978,966**	**116,375,722**
FUND BALANCES		
Employees' Group Life Insurance Plan, Exhibit B	11,159,002	8,908,673
Accidental Death and Disablement Plan, Exhibit C	3,311,864	2,229,462
Dependents' Group Life Insurance Plan, Exhibit D	2,824,064	3,131,355
Total fund balances	**$ 17,294,930**	**$ 14,269,490**

Approved on behalf of the Board:

Chairperson of the Board

Chairperson, Finance and Audit Commi

Exhibit B

THE PUBLIC SERVICE GROUP INSURANCE FUND
Employees' Group Life Insurance Plan
Statement of Changes in Fund Balance
For the year ended April 30, 2007

	2007	2006
Increases		
Contributions		
Employees	$ 9,330,167	$ 9,292,554
Employers	3,169,680	2,943,666
Retired members	1,178,696	1,084,816
Total contributions	13,678,543	13,321,036
Investment income		
Short term	206,910	271,381
Bond pooled fund	1,917,558	1,812,161
Equity pooled funds	2,314,676	1,690,302
Total investment income	4,439,144	3,773,844
Current period change in fair value of investments	9,318,346	10,715,106
Total increases	**27,436,033**	**27,809,986**
Decreases		
Death claims, Note 2(f)	12,933,733	13,361,400
Change in actuarial provisions, Schedule 2, Note 2(d)	11,111,797	5,587,364
The Civil Service Superannuation Board		
Administration fee, Note 8	109,661	155,409
Investment management fee, Note 8	258,672	231,110
Professional fees	65,920	37,121
Great-West Life expenses		
Premium taxes	257,460	275,559
Administrative fees	109,969	105,312
Conversion charges	121,740	31,207
Stop loss charges	66,076	63,277
Other	5,344	20,212
Total decreases	**25,040,372**	**19,867,971**
Net Increase	**$ 2,395,661**	**$ 7,942,015**
Fund balance, beginning of year	$ 8,908,673	$ 963,884
Net Increase	2,395,661	7,942,015
Employee and employer surplus distribution, Note 6	(145,332)	2,774
Fund balance, end of year, Exhibit A	**$ 11,159,002**	**$ 8,908,673**

Exhibit C

THE PUBLIC SERVICE GROUP INSURANCE FUND
Accidental Death and Disablement Plan
Statement of Changes in Fund Balance
For the year ended April 30, 2007

	2007	2006
Increases		
Contributions, employers	$ 658,668	$ 654,931
Investment income		
Short term	5,612	7,719
Bond pooled fund	112,779	101,590
Equity pooled funds	135,098	93,935
Total investment income	253,489	203,244
Current period change in fair value of investments	567,840	617,297
Total increases	**1,479,997**	**1,475,472**
Decreases		
Death claims, Note 2(f)	175,000	175,000
Change in actuarial provisions, Schedule 2, Note 2(d)	190,268	345,555
The Civil Service Superannuation Board		
Administration fee, Note 8	6,379	38,396
Investment management fee, Note 8	15,136	12,864
Professional fees	3,914	2,211
Great-West Life expenses		
Premium taxes	2,010	3,658
Administrative fees	3,476	3,488
Claims charge	1,107	1,107
Other	305	1,070
Total decreases	**397,595**	**583,349**
Net Increase	**$ 1,082,402**	**$ 892,123**
Fund balance, beginning of year	$ 2,229,462	$ 1,337,339
Net Increase	1,082,402	892,123
Fund balance, end of year, Exhibit A	**$ 3,311,864**	**$ 2,229,462**

Exhibit D

THE PUBLIC SERVICE GROUP INSURANCE FUND
Dependents' Group Life Insurance Plan
Statement of Changes in Fund Balance
For the year ended April 30, 2007

	2007	2006
Increases		
Contributions		
Employees	$ 1,806,555	$ 1,798,393
Retired members	301,640	287,240
Total contributions	2,108,195	2,085,633
Investment income		
Short term	31,566	17,118
Bond pooled fund	145,176	128,936
Equity pooled funds	173,524	118,915
Total investment income	350,266	264,969
Current period change in fair value of investments	738,304	790,171
Total increases	**3,196,765**	**3,140,773**
Decreases		
Death claims, Note 2(f)	3,111,000	2,637,000
Change in actuarial provisions, Schedule 2, Note 2(d)	282,368	234,800
The Civil Service Superannuation Board		
Administration fee, Note 8	8,186	7,499
Investment management fee, Note 8	19,441	16,286
Professional fees	5,048	2,571
Great-West Life expenses		
Premium taxes	59,204	54,672
Administrative fees	11,940	11,849
Conversion charges	2,450	13,720
Claims charge	2,861	3,318
Other	1,558	1,273
Total decreases	**3,504,056**	**2,982,988**
Net (Decrease) Increase	**$ (307,291)**	**$ 157,785**
Fund balance, beginning of year	$ 3,131,355	$ 2,973,570
Net (Decrease) Increase	(307,291)	157,785
Fund balance, end of year, Exhibit A	**$ 2,824,064**	**$ 3,131,355**

THE PUBLIC SERVICE GROUP INSURANCE FUND
Notes to Financial Statements
for the year ended April 30, 2007

1. Nature of Operations

The Public Servants Insurance Act (the Act) provides for the establishment of the Public Service Group Insurance Fund (the Fund). The Civil Service Superannuation Board is responsible for the administration of the Fund and the group insurance policies agreed to by representatives of the employees and employers participating in the Fund as set out in insurance policies between the Government of the Province of Manitoba and the insurance company. The Fund's operations are reported separately for:

the Employees' Group Life Insurance Plan,
the Accidental Death and Disablement Plan, and
the Dependents' Group Life Insurance Plan.

This separate reporting is consistent with the financial arrangements with the insurance company.

The Fund's fiscal year coincides with the insurance policy year for each Plan.

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Fund are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles.

(b) Investments

Investments are allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals. Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

(i) Short term investments are valued at market, which approximates cost.

(ii) Bond pooled fund is valued at year end market prices determined by independent sources.

(iii) Equity pooled funds are valued at year end market prices as listed on the appropriate stock exchange.

(c) Foreign currency translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(d) Provision for future claims/liabilities

A provision for future claims/liabilities for each Plan has been established using the latest triennial actuarial valuation report of the Fund as at December 31, 2006. This provision has been projected by Ellement and Ellement, consulting actuaries, to April 30, 2007.

(e) Investment income

Investment income is allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals.

2. Significant Accounting Policies (continued)

(f) Death claims

Death claims include current and prior year death and disablement claims paid up to June 1 following the year-end with date of deaths up to and including the current year-end.

(g) Expenses

Direct costs are charged to each Plan. The Civil Service Superannuation Board administration fee, investment management fee, and other indirect administration costs are prorated between Plans based on monthly unit values, which are based on contributions and withdrawals.

(h) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation, obtain the best possible return at acceptable risk and maintain the required liquidity, the asset mix is at 34% (2006 – 38%) fixed income and 66% (2006 – 62%) equity as at April 30, 2007.

Term to maturity	2007	2006
Less than one year	$ 2,471,645	$5,609,779
One to five years	11,803,065	12,842,676
Over five years	33,762,645	30,616,421
Total fixed income investments	$48,037,355	$49,068,876

Credit risk is the risk of loss from the failure of a counterparty to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities, established investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 95% must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at April 30, 2007 external fund managers had entered into no forward foreign exchange contracts (2006 - $Nil) on behalf of the Fund.

4. Actuarial Valuations

In accordance with the Act, an actuarial report is required at least once every three years. The last triennial actuarial valuation report on the three plans administered by the Fund was prepared by Ellement and Ellement, consulting actuaries, as at December 31, 2006.

The actuarial report contemplates that the Fund and each Plan will continue to be in existence and that employees and dependents will continue to participate in these Plans on the completion of eligibility requirements. Significant long-term actuarial assumptions used in determining the provision for future claims/liabilities were:

Annual rate of return	6.00%
Salary escalation rates:	
(i) general increases	
a) inflation component	2.50%
b) productivity component	0.75%
(ii) service, merit and promotional increases	*

* the rates used vary by gender and age grouping from a high of 3.00% to a low of 0%

The valuation indicated the following net assets available for benefits:

	April 30, 2007 Exhibit A	December 31, 2006 valuation	April 30, 2006 Exhibit A
Employees' Group Life Insurance Plan	$ 11,159,002	$10,759,649	$ 8,908,673
Accidental Death & Disablement Plan	3,311,864	3,062,981	2,229,462
Dependents' Group Life Insurance Plan	2,824,064	3,601,090	3,131,355

5. Termination of Policies

Upon termination of the policy in place for the Employees' Group Life Insurance Plan, the Accidental Death and Disablement Plan or the Dependents' Group Life Insurance Plan, the insurer will remit any net policy surplus as a final refund to the Fund for the applicable Plan. If there is a net policy deficit, a payment will be made to the insurer from the appropriate Plan's surplus funds. To the extent that the appropriate Plan's surplus funds are not sufficient to cover any net policy deficit, payment to the insurer will be made by the Minister of Finance.

6. Transfer of Employer and Employee Actuarial Surpluses

In 1996, the Government of the Province of Manitoba passed an amendment to the Act permitting a payment of an actuarial surplus in the Fund to be made to the Minister of Finance on behalf of the employers. The payment amount requires the actuary's approval and negotiated agreement between the employer and employees.

Based on actuarially determined employer surplus amounts as at December 31, 2003, agreements between the employers and their employees' unions were reached, and employer surplus payments were made as follows:

	Employees' Group Life Insurance Plan	Accidental Death & Disablement Plan	Total
Manitoba Government Employees' Union – 2006 payment	$ 34,232	$ 25,336	$ 59,568
The Province of Manitoba – 2005 payment	7,050,920	4,731,983	11,782,903
Manitoba Public Insurance Corporation – 2005 payment	355,542	257,518	613,060
The Civil Service Superannuation Board – 2004 payment	14,581	11,119	25,700
Total Transfer of Employer Actuarial Surplus	$ 7,455,275	$ 5,025,956	$ 12,481,231

Also, during the 2005 fiscal year the Employer Pension and Insurance Advisory Committee and the Employee Superannuation and Insurance Liaison Committee signed an agreement to distribute a portion of the employee Actuarial Surplus as at December 31, 2003 in the Employees' Group Life Insurance Plan to eligible employees and pensioners. The total employee Actuarial Surplus distribution of $5,098,173 ($5,100,947 accrued in 2005) was paid in full during 2006.

In 2007, the Fund received $1,005 (2006 -$2,774) of employee Actuarial Surplus distribution payments back from employers, as the employees were not eligible or the deceased pensioners' estates were not found. As well, the employers were reimbursed $146,337 for employer payroll costs (Unemployment Insurance, Canadian Pension Plan, and Health and Education Tax) that directly related to the distribution of the employee Actuarial Surplus distribution.

7. Status of Fund

The Government of the Province of Manitoba and Canada Revenue Agency (CRA) have had discussions concerning the status of the Fund for income tax purposes. CRA has now decided to defer those discussions until they complete their review of funded group life insurance plans and the employee benefit plan legislation.

8. Services provided by The Civil Service Superannuation Board

The Public Service Group Insurance Fund entered into agreements with The Civil Service Superannuation Board to provide certain administrative and investment management services to the Fund. These services were received in terms and conditions comparable to market terms and conditions. For the year ended April 30, 2007, the cost of these services amounted to $417,475 (2006 - $461,564).

Schedule 1

THE PUBLIC SERVICE GROUP INSURANCE FUND
Summary of Investments
As at April 30, 2007

	2007	2006
Fixed Income Investments		
Cash and short term		
Government and corporations	$ 2,705,830	$ 6,302,726
Bond pooled fund		
Domestic	45,331,525	42,766,150
Total fixed income investments	**48,037,355**	**49,068,876**
Equity Investments		
Pooled funds		
Domestic	44,901,337	41,248,669
Foreign	49,245,779	37,889,262
Total equity investments	**94,147,116**	**79,137,931**
Investments, Exhibit A	**$ 142,184,471**	**$ 128,206,807**

Schedule 2

THE PUBLIC SERVICE GROUP INSURANCE FUND
Schedule of Changes in Provision for Future Claims/Liabilities
As at April 30, 2007

	2007	2006
Employees' Group Life Insurance Plan		
Balance beginning of year	$ 107,841,802	$ 102,288,670
Transfer of actuarial surplus payments to employers		
Various employers, Note 6	-	(34,232)
	107,841,802	102,254,438
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	6,545,635	(971,500)
Interest accrued	6,605,691	6,122,864
Changes in actuarial reserves	(2,039,529)	436,000
Subtotal, Exhibit B	11,111,797	5,587,364
Provision for future claims/liabilities, Exhibit A	**$ 118,953,599**	**$ 107,841,802**
Accidental Death and Disablement Plan		
Balance beginning of year	$ 3,089,662	$ 2,769,443
Transfer of actuarial surplus payments to employers		
Various employers, Note 6	-	(25,336)
	3,089,662	2,744,107
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	371,421	-
Interest accrued	185,522	309,155
Changes in actuarial reserves	(366,675)	36,400
Subtotal, Exhibit C	190,268	345,555
Provision for future claims/liabilities, Exhibit A	**$ 3,279,930**	**$ 3,089,662**
Dependents' Group Life Insurance Plan		
Balance beginning of year	$ 4,926,800	$ 4,692,000
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	66,792	(31,800)
Interest accrued	295,222	266,800
Changes in actuarial reserves	(79,646)	(200)
Subtotal, Exhibit D	282,368	234,800
Provision for future claims/liabilities, Exhibit A	**$ 5,209,168**	**$ 4,926,800**